



COMPETITIVE AMENDMENT

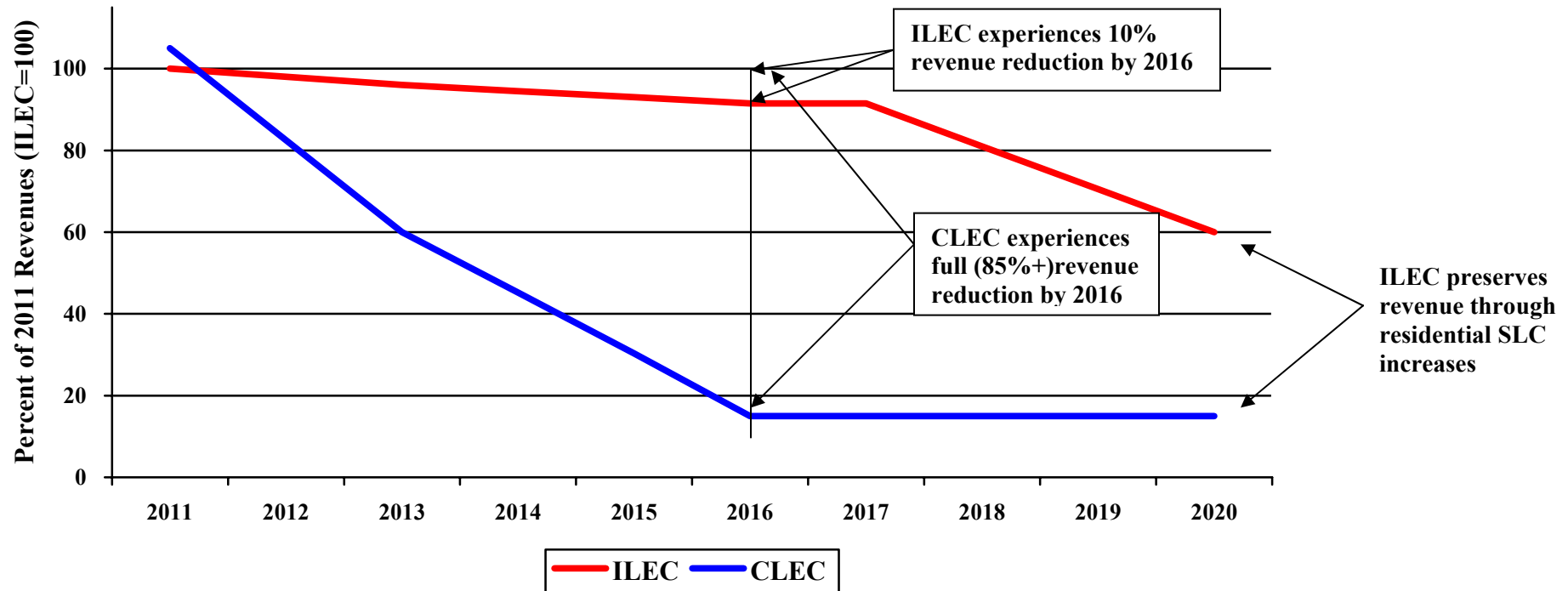
on

Intercarrier Compensation Reform and
IP-to-IP Interconnection

The Most Critical Changes of the *Competitive Amendment*

- * Make clear 251/252 is technology neutral and includes IP-to-IP Interconnection so that carrier negotiations for next generation interconnection agreements can begin.
- * Adopt a clean reading of 251(b)(5) – which compels a transition to 252(c)(2) compliant rates for both transport and termination.
- * Provide CLECs a transition of equal length to the ILECs.
- * Cap the ARM and require that multi-line business SLCs face the same increase as residential and small business users.
- * Treat VoIP consistently with all other traffic.

Illustrative Comparison of ICC Revenue Streams: CLEC and Price-Cap ILEC under ABC Plan

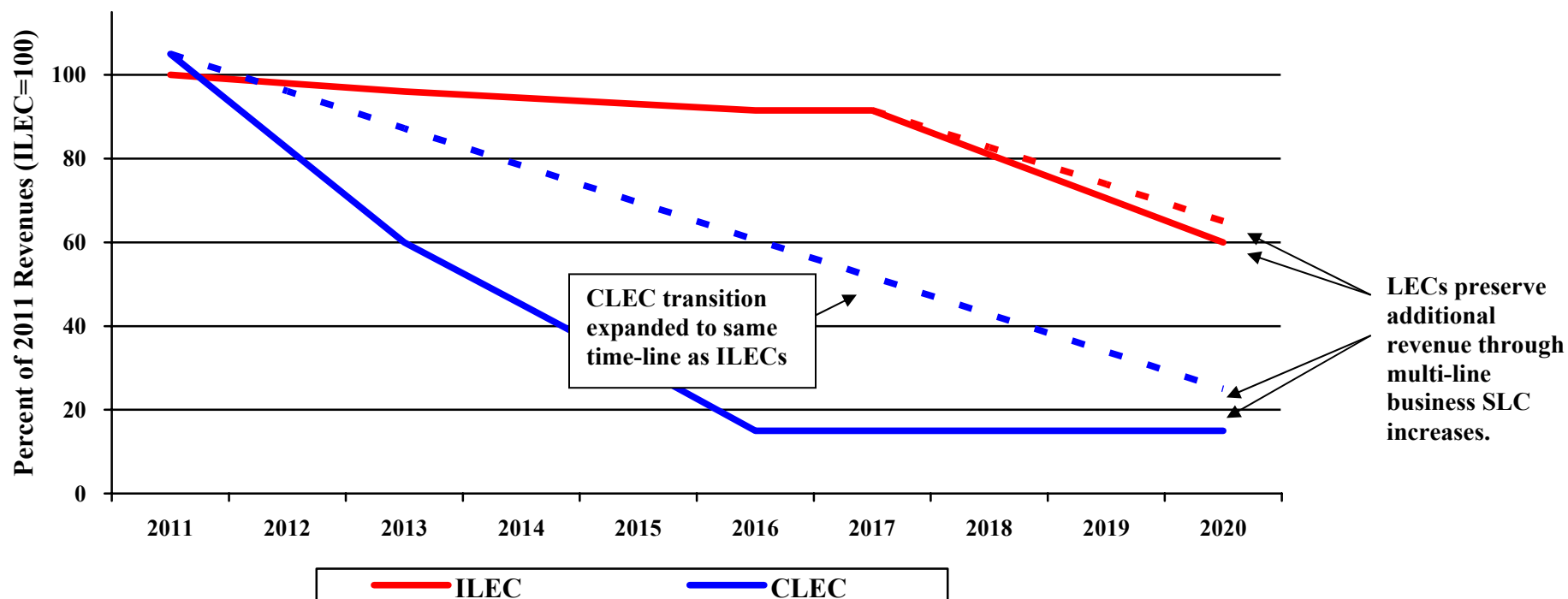


Revenue relationships depicted by graph:

1. \$0.0007 rate reduces ICC revenues by 85% overall.
2. CLEC serves the business market and, therefore, obtains no offsetting revenues from residential SLC increase.
3. CLEC access revenues are 5% larger than price-cap ILEC at initiation of plan because of higher intrastate access in some states.
4. ILEC is able to partially offset ICC revenue loss through increases in residential (and single-line business) SLC.
5. Revenue streams are shown as a percentage of 2011 revenue (ILEC=100), and include ARM and estimated revenues from residential SLC increases (for ILEC). Revenue trends account only for changes caused by ABC plan.

Note: Revenue relationships in the chart are intended to provide a conservative illustration of the likely overall relative impact of the ABC Plan and Competitive Amendment on CLECs and Price Cap ILECs and are not intended to measure the specific impact on any individual company. The illustration takes in consideration general review of access information filed in state proceedings and ILEC estimates regarding access replacement. The actual impact on most CLECs may actually be larger than the 85% reduction shown.

Illustrative Comparison of ICC Revenue Streams: CLEC and Price-Cap ILEC under ABC Plan with Competitive Amendment



Revenue relationship changes that are part of the Competitive Amendment:

1. ARM is reduced by imputed increases in multi-line SLCs (not shown).
2. CLEC revenue reduction partially offset by enhanced revenue increases in the business market (to the extent ILECs actually increase multi-line business SLCs). Increase for the CLEC and ILEC is intend to illustrate higher (but unknown) revenues. Higher revenues (compared to the ABC Plan) are also expected if termination rates are cost-based (but the precise level is unknown).
3. CLEC transition extended to same time-line as ILEC transition (equal annual reductions in intrastate and interstate access).
4. Transport and termination rates are consistently governed by 251(b)(5) (not shown).